

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 26, 2002

The Honorable Anthony A. Williams
Mayor
District of Columbia
1350 Pennsylvania Avenue, N.W.
Sixth Floor
Washington, D.C. 20004

Dear Mayor Williams:

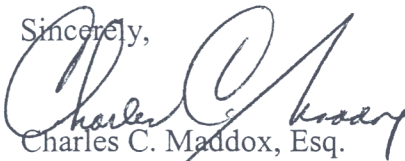
Enclosed for your information is a recent press release issued by the U.S. Attorney's Office concerning a matter investigated jointly by our Office, the United States Attorney, and the Federal Bureau of Investigation. Also enclosed is a copy of a related article recently published in the *Washington Post*.

The press release reported that Steven L. Pullman, former Executive Director for the District of Columbia Community Services (DCCS), was sentenced to a prison term of 33 months after pleading guilty to one count of wire fraud in connection with a \$350,000 embezzlement scheme. Judge Emmet G. Sullivan also ordered Pullman to pay \$344,931 in restitution to D.C. Medicaid, and to serve three years of supervised release.

In 1993, DCCS, a non-profit organization that provided health care to the mentally retarded, hired Pullman as their finance point-person. Later, he became their Executive Director, taking full advantage of his control and ultimately stealing thousands of dollars from his patients and the organization. Last August, DCCS closed its operations, unable to recover from the effects of Pullman's fraud schemes.

If you need additional information on this case, please contact me directly, or have your staff contact Gloria Johnson, Chief of Staff, at (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

CCM/as

Enclosures

cc: All District of Columbia Councilmembers
Ms. Margret Kellems, Deputy Mayor for Public Safety and Justice
Ms. Carolyn Graham, Deputy Mayor for Children, Youth, Families, and Elders
The Honorable Connie Morella, Chairman, House Subcommittee on D.C. Government Reform
The Honorable Joe Knollenberg, Chairman, House Subcommittee on D.C. Appropriations
The Honorable Richard Durbin, Chairman, Senate Subcommittee on D.C. Government Oversight
The Honorable Mary Landrieu, Chairman, Senate Subcommittee on D.C. Appropriations



Roscoe C. Howard, Jr.
United States Attorney for the
District of Columbia

Judiciary Center
555 Fourth St. N.W.
Washington, D.C. 20001

PRESS RELEASE

FOR IMMEDIATE RELEASE

Tuesday, September 24, 2002

For Information Contact Public Affairs

Channing D. Phillips (202) 514-6933

Former Executive Director of Group Homes
for the mentally retarded sentenced to 33 months by federal judge
in connection with \$350,000 embezzlement scheme

Washington, D.C. - United States Attorney Roscoe C. Howard, Jr., Van A. Harp, Assistant Director in Charge of the FBI's Washington Field Office, and Charles C. Maddox, Inspector General for the District of Columbia, jointly announced that Steven L. Pullman, 43, most recently of Annandale, Virginia, and Denver, Colorado, was sentenced today to a prison term of 33 months by United States District Judge Emmet G. Sullivan. Judge Sullivan also ordered the defendant to pay \$344,931 in restitution to D.C. Medicaid and to serve three years of supervised release. Pullman, the former Executive Director for the District of Columbia Community Services, pleaded guilty in December 2001 to one count of wire fraud in connection with a \$350,000 embezzlement scheme.

According to the evidence and information presented at sentencing, from the early 1980's until August 2002, the District of Columbia Community Services ("DCCS"), a non-profit organization, provided health care services to about 60 mentally retarded clients. In 1993, DCCS hired Steven L. Pullman to be their finance point-person, because at the time, DCCS had just fired its previous management team which had engaged in self-dealing and kickbacks. Later Pullman became the Executive Director of DCCS.

Pullman took full advantage of his control. He promptly installed locks on the doors to the Accounting Department (refusing access to even the president of the Board of Directors). He alone decided which bills to pay, according to clerks in DCCS's accounts payable departments. He would browbeat those who signed the checks and approved financial transactions to do as he said without asking questions.

Pullman tricked DCCS into paying more for goods and services than appropriate, then he siphoned the extra money for himself. Pullman steered DCCS computer contracts to his friends (without competition) and then arranged to take kickbacks from payments they received from DCCS by disguising the money as "management" fees.

The defendant also contracted with a financing company to pay his friends for the same computers which DCCS already owned. Pullman entered into a "kickback" agreement with a money lender. Pullman offered to approve exorbitant interest rates (on average 36%), if the lender would pay him "referral fees" for the short term loans to DCCS. The defendant tricked various employees of DCCS to authorize the transfer \$500,000 to this same lender.

Pullman also received kickback money from the purchase of real estate. He contracted with a property owner who agreed to give him \$25,000 per property if he found a buyer who would pay a sales price above a certain amount. The defendant found the buyer - his own employer, DCCS - and convinced the Board that it was better to own than rent. The "agent fees" were then disguised on the settlement papers as fees to unrelated parties; in truth, virtually all of the money ended up in a bank account under the name of Pullman's business.

Pullman's crimes and misdeeds caused the demise of DCCS. Pullman failed to pay withholding taxes from the DCCS employees' paychecks to the Internal Revenue Service; at the end

of Pullman's tenure, in June 1998, the IRS filed a federal tax lien against DCCS in the amount of \$550,451. According to the acting executive director, Pullman failed to pay employee life insurance premiums; consequently, the insurance company denied benefits to the family of a DCCS employee who died during this time. Pullman failed to pay for the basic necessities for the group home residents - gas, water, food, heat, and transportation. According to the facilities director, DCCS lost accounts at grocery stores, spent money on emergency heaters and water, and paid extra fees to turn on the utilities in the residences.

In addition, Pullman paid for some of his "expenses" with the clients' own money. The clients themselves received a stipend from the federal government through the Social Security Administration to pay for personal items. Pullman was the authorized signatory on these "client trust" bank accounts. An audit of these client trust accounts revealed that Pullman used the escrow money to pay himself \$29,000. In August 2002, DCCS closed its operations, unable to recover from the effects of the fraud schemes visited upon it by the defendant.

In announcing the sentence, United States Attorney Howard, Assistant Director Harp, and Inspector General Maddox commended FBI Special Agent Stephen M. West, Jr. In addition, they praised Paralegal Specialist Bertina D. Marshall, auditor Sandra Henderson, and commended Assistant U.S. Attorney Virginia Cheatham.

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washingtonpost.com

Judge Gives Maximum In Group Home Thefts

Director Stole From D.C. Patients

By Neely Tucker

Washington Post Staff Writer

Wednesday, September 25, 2002; Page B02

Steven L. Pullman, the former director of a network of group homes for mentally retarded D.C. residents, was sentenced by a federal judge yesterday to the maximum prison term of 33 months for stealing hundreds of thousands of dollars from the patients he was supposed to protect.

U.S. District Judge Emmet G. Sullivan also ordered Pullman, 43, to pay \$344,931 in restitution to the now-defunct nonprofit agency he once headed, D.C. Community Services Inc. The agency went out of business after Pullman plundered its bank accounts in a series of fraudulent schemes from 1993 to 1998.

"A sentence of less than the maximum would not recognize the significance of the loss in the case," Sullivan told Pullman. "The community suffered, the mentally challenged suffered. They relied on you, and you abused that trust."

Pullman, charged with 18 felonies in a July 2000 indictment, pleaded guilty last December to one count of wire fraud.

"I apologize to the victims, to DCCS . . . to the court and to my family," Pullman said.

Pullman had been convicted of embezzling from the town of Vienna in the late 1980s, where he had been the chief financial officer, but did not disclose that to DCCS when he signed on as controller in 1993. The agency contracted with the city to provide care for about 60 acutely retarded residents in 12 group homes.

While still on probation from the Virginia case, Pullman began arranging a series of kickback schemes at DCCS, prosecutors said yesterday.

When he was promoted to director of the agency in 1997, he ordered contractors to submit inflated bids, then give him as much as 25 percent back. He persuaded DCCS to buy houses for the group homes, had the buyers pay him huge fees, and then covertly took ownership of the properties. He failed to pay \$550,000 in federal withholding taxes for his employees. He did not pay heat, lighting and water bills for the group homes, leaving clients shivering in the dark.

But Assistant U.S. Attorney Virginia Cheatham said yesterday that the most mean-spirited of his plans was stealing the monthly \$65 Social Security allowance to each client, designed to help them buy small personal care items.

Pullman stole \$29,000 of that money, spending it on airfare to New York, expensive meals and other luxuries. He spent other funds on strip bars, casinos and travel, prosecutors said.

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"No amount was too small for him to take, and no account was sacred," Cheatham said. "He caused the demise of DCCS."

Pullman did not dispute the charges yesterday.

Pullman's mother, siblings and a family friend attended the hearing. They declined comment.

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